

Q3 19

RESULTS

July 30th, 2019

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Note on alternative performance measures (APMs)

The definitions and reconciliation of the alternative performance measures that are included in this presentation are disclosed in the Activity Report associated to these and previous results. The glossary of terms is also included in the Activity Report associated to these results.

SGRE is fully committed to a sustainable development and the stricter ESG¹ principles



By 2020

- More than 250MtCO₂eq. annual savings to customers
- Acceptance of the Code of Conduct by our main suppliers (80% of the annual purchasing volume)
- 100% of critical suppliers to be assessed and/or audited for compliance with the Code of Conduct

By 2025

- Carbon neutrality
- 10% increase in energy efficiency
- 10% increase in waste efficiency
- 10% reduction in waste to landfill
- 10% reduction in hazardous waste

Caring for Climate



Committed to respecting human rights and the environment

1) ESG: Environmental, Social and Governance.



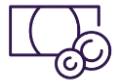
Part of the main sustainability and corporate responsibility indices

Q3 19 Highlights



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Q3 19 Highlights



Q3 19 financial performance in line with guidance despite Onshore headwinds
Revenue €2,632m, up 23% YoY, and EBIT margin pre PPA and I&R costs: 6.1%¹



Strong potential of wind power confirmed and SGRE positioned to lead
Short-term headwinds lengthen the path to normalized margins



New record in commercial activity
Order backlog: €25.1bn, up 8.2% YoY
Order intake: €12.3bn in the LTM, up 2.2% YoY



Management team completed
New Onshore CEO: Alfonso Faubel



Announcement of share transfer from Siemens AG into Gas and Power NewCo
Assessment of implications initiated

1) EBIT pre PPA and I&R costs excludes the impact of PPA on the amortization of intangibles: €67m, and the integration and restructuring costs: €36m in Q3 19.

Today's successes secure our future growth

ON: Largest repowering order in the US



- **429 MW** order from MidAmerican, to reach a total of **1.9 GW of repowering in the US**
- **8 GW¹** of existing wind projects expected to be subject to repowering in the US with a global forecast of **16 GW¹ in 2025** (ex. China)

OF: Taiwan market leader



- **1.5 GW** in firm orders booked in Q3 19 (Yunlin and Greater Changhua), **120 MW** under construction and **376 MW** as preferred supplier
- **Fruitful early engagement with developers and other key stakeholders**, for infrastructure enhancement, local supply chain development and training
- **First OF** demonstration project installed **back in 2016**: Formosa 1 phase 1
- **Offshore target of Taiwanese government: 5.5 GW in 2025²**

SE: Multibrand expansion



- **First full-scope multi-brand contract in Europe.** Long-term agreement for **58 MW** with Vestas wind turbines in Poland
- Four-year O&M agreement for 1.85-87 GE **218 MW project** in the US, applying SGRE's extensive digital expertise
- Engineering-driven leadership; full range of value-added analytics, including SCADA diagnostics, maximizing the customer's business value

1) Source: Wood Mackenzie.

2) Source: MoEA (Ministry of Economic Affairs).

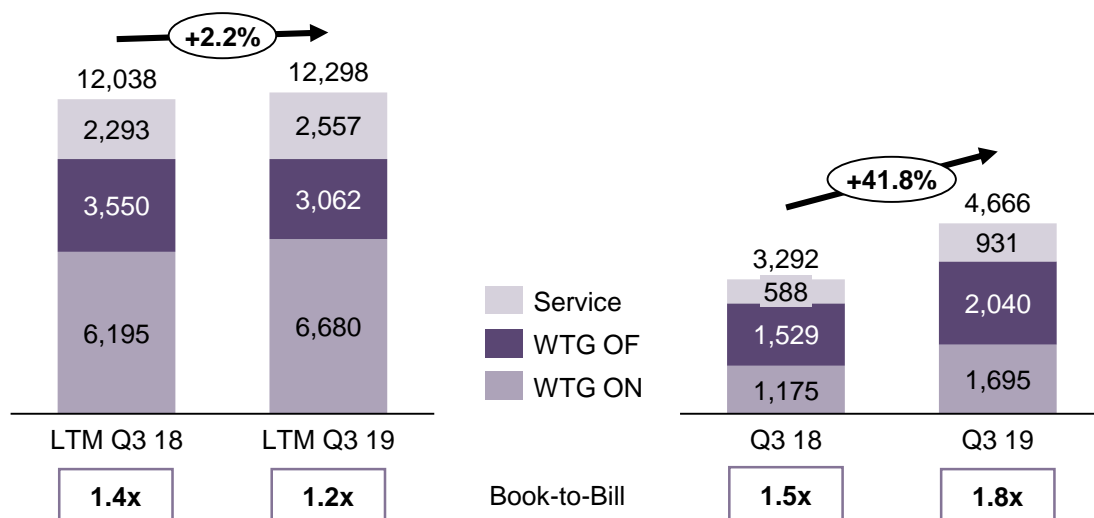
Commercial activity



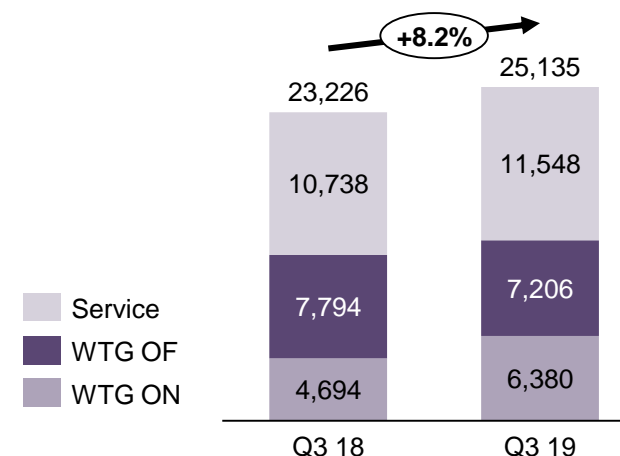
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New record order backlog: €25.1bn, up 8.2% YoY, driven by record order intake in Q3 19: €4.7bn, up 41.8% YoY and a sound order intake in the LTM: €12.3bn, up 2.2% YoY

Order intake¹ LTM and Q3 (€m)



Order backlog (€m)



Strong growth in all three businesses reaching a **record group order intake in Q3 19**

- **Q3 19 group Book-to-Bill: 1.8x**

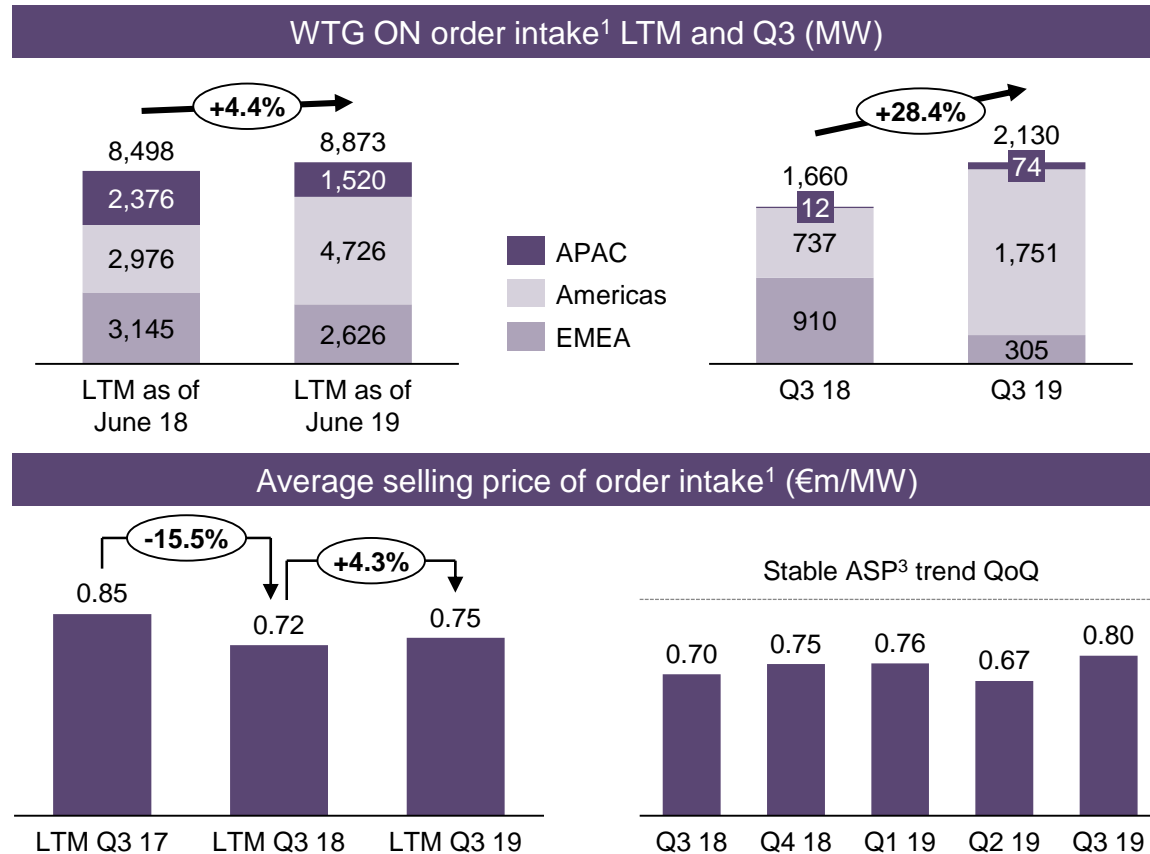
Growth story confirmed with enhanced visibility

- **98% coverage²** of midpoint of revenue guidance

1) WTG ON order intake includes €0.6m in solar orders in Q3 19, €33m in Q2 19, €6m in Q1 19 and €9m in Q3 18.

2) Revenue coverage: 9M 19 revenue plus order backlog (€) as of June 19 for FY 19 sales activity divided by the FY 19 revenue guidance range of €10bn to €11bn.

WTG ON order intake driven by strong performance in the US market



Q3 19 commercial activity driven by the Americas

- US (62%) and Chile (14%) are the main contributors to order intake (MW) in Q3 19

Emerging market volatility impacted order intake in India in Q3 19. First signs of recovery in Q4 19 with 453 MW order booked in India in July²

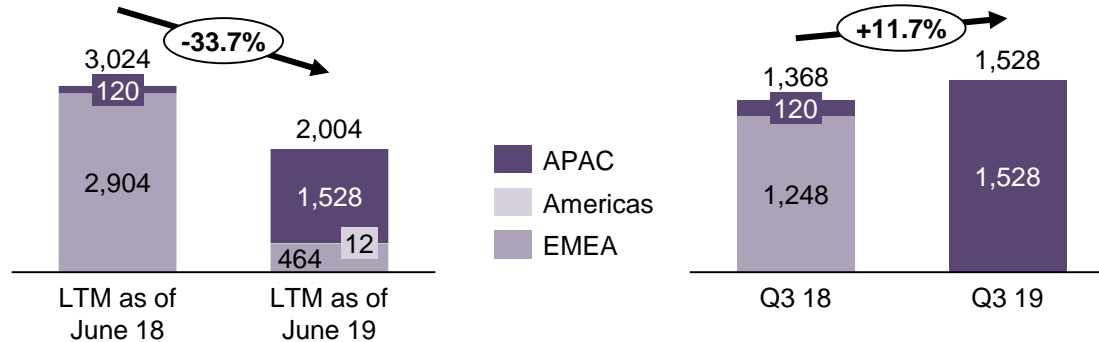
Ongoing market price stabilization

- Q3 19 ASP YoY increase driven by scope of projects and product mix. Sequential increase (QoQ) reflects different regional mix with lower contribution from China

1) Order intake WTG ON (MW) and average selling price of WTG ON order intake includes only wind orders.
 2) Order signed in June with payment received during the first week of July.
 3) Average selling price (ASP) in individual quarters fluctuate driven by regional mix and scope of projects.

WTG OF order intake driven by project awards in Taiwan

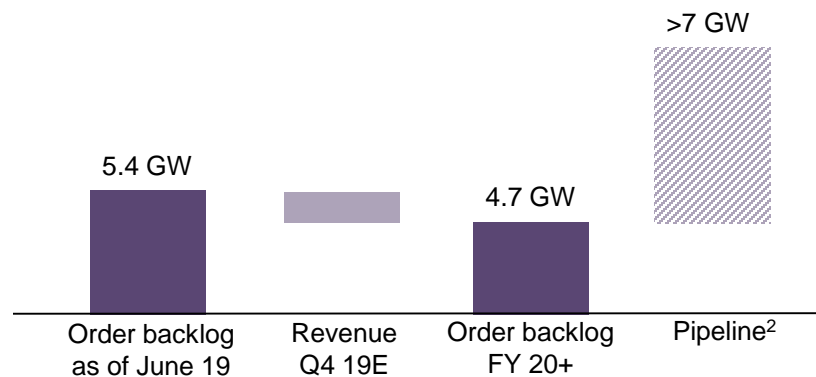
WTG OF order intake LTM and Q3 19 (MW)



Strong performance in new Offshore markets: 1.5 GW in firm orders signed in Taiwan

- Yunlin (SG 8.0-167 DD): 640 MW with wpd AG
- Greater Changhua 1 & 2 (SG 8.0-167 DD): 900 MW¹ with Ørsted

Backlog and pipeline²



Leading competitive positioning reflected in backlog and pipeline strength

Total order backlog of €7.2bn and 5.4 GW

Total pipeline² of more than 7 GW

- France: 2.5 GW
- Holland: 1.9 GW
- US: 1.7 GW
- Other: 1.2 GW

1) Including power boost option.

2) Pipeline made of preferred supply agreements and conditional orders that are not part of SGRE's Offshore backlog.

Q3 19 Results & KPIs



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Consolidated Group – Key figures Q3 19 (April-June)

€m	Q3 18	Q3 19	Var.	9M 19	Var.
Group revenue	2,135	2,632	23.3%	7,283	12.0%
EBIT pre PPA and I&R costs ¹	156	159	1.9%	475	-0.6%
EBIT margin pre PPA and I&R costs	7.3%	6.1%	-1.3 p.p.	6.5%	-0.8 p.p.
PPA amortization ²	82	67	-18.0%	200	-16.7%
Integration & restructuring costs	25	36	44.1%	90	-10.5%
Reported EBIT	50	56	13.3%	186	34.5%
Reported net income to SGRE shareholders	44	21	-52.9%	88	97.7%
CAPEX	92	127	35	316	58
CAPEX to revenue (%)	4.3%	4.8%	0.5 p.p.	4.3%	0.4 p.p.
Working capital	265	238	-27	238	-27
Working capital to LTM revenue (%) ³	3.0%	2.4%	-0.6 p.p.	2.4%	-0.6 p.p.
Provisions ⁴	2,498	2,212	-286	2,212	-286
Net (debt)/cash	-154	-191	-37	-191	-37
Net (debt) to LTM EBITDA ³	-0.24	-0.22	0.03	-0.22	0.03

- **Revenue** growth driven by strong performance in all businesses, with record activity in Offshore
- Lower pricing in order backlog (Onshore, Offshore and Service) remains the main factor impacting group **profitability**
- Q3 19 **reported net income** down 53% YoY, on the back of positive impact of tax revenue last year. 9M 19 net profit doubles on the back of lower taxes, lower PPA impact and lower integration and restructuring costs
- **CAPEX** of €127m, or 4.8% of sales, in line with annual guidance
- **Provisions** down €286m YoY on the back of Adwen related outflows (€147m⁵) and ordinary releases, driven by product platform and Service improvements. Provisions down €42m QoQ of which €35m are Adwen related
- **Net debt**: €191m driven by increase in working capital ahead of peak WTG activity in Q4 19

1) Adwen impact on Q3 19 EBIT pre PPA and I&R costs of +€5m (-€4m in Q3 18).

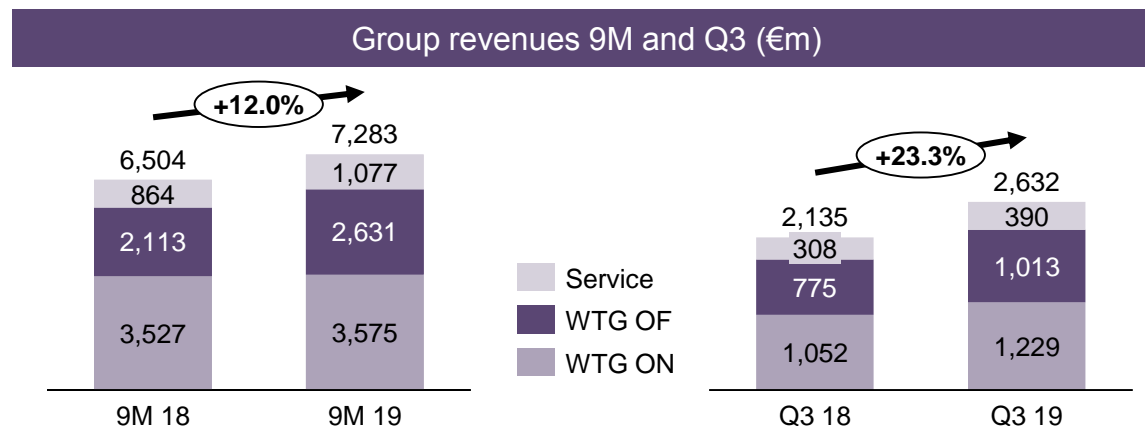
2) Impact of PPA on the amortization of the fair value of intangibles.

3) LTM revenues €9,902m; LTM EBITDA €886m.

4) Within group provisions, Adwen provisions stand at €753m after a provision use of €35m in Q3 19.

5) Adwen related outflows in the LTM: €28m in Q4 18, €29m in Q1 19, €55m in Q2 19 and €35m in Q3 19.

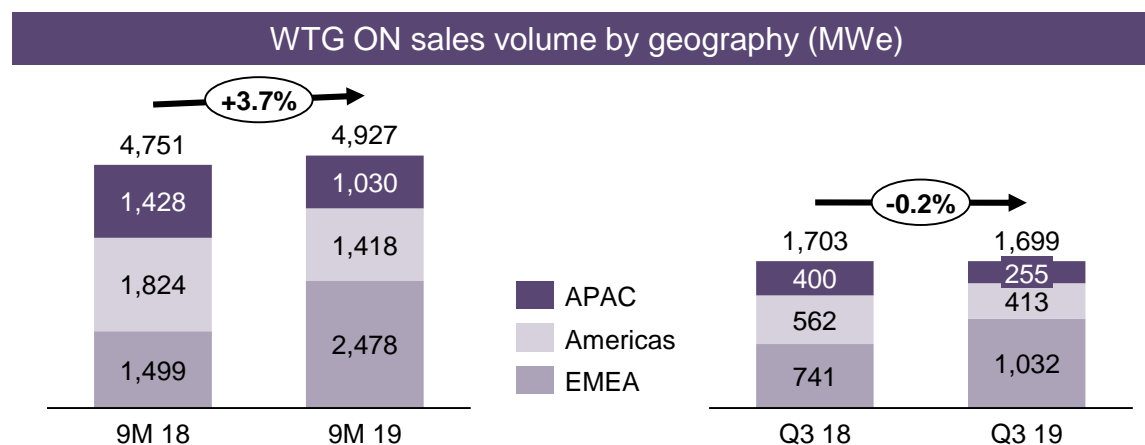
Revenue growth driven by positive performance in all businesses



WTG ON revenue (+17% YoY in Q3 19) positively impacted by **higher installation activity and regional mix**: larger contribution from EMEA

WTG OF reaches **record quarterly revenue** (+31% YoY in Q3 19) as part of the high activity planned for the year

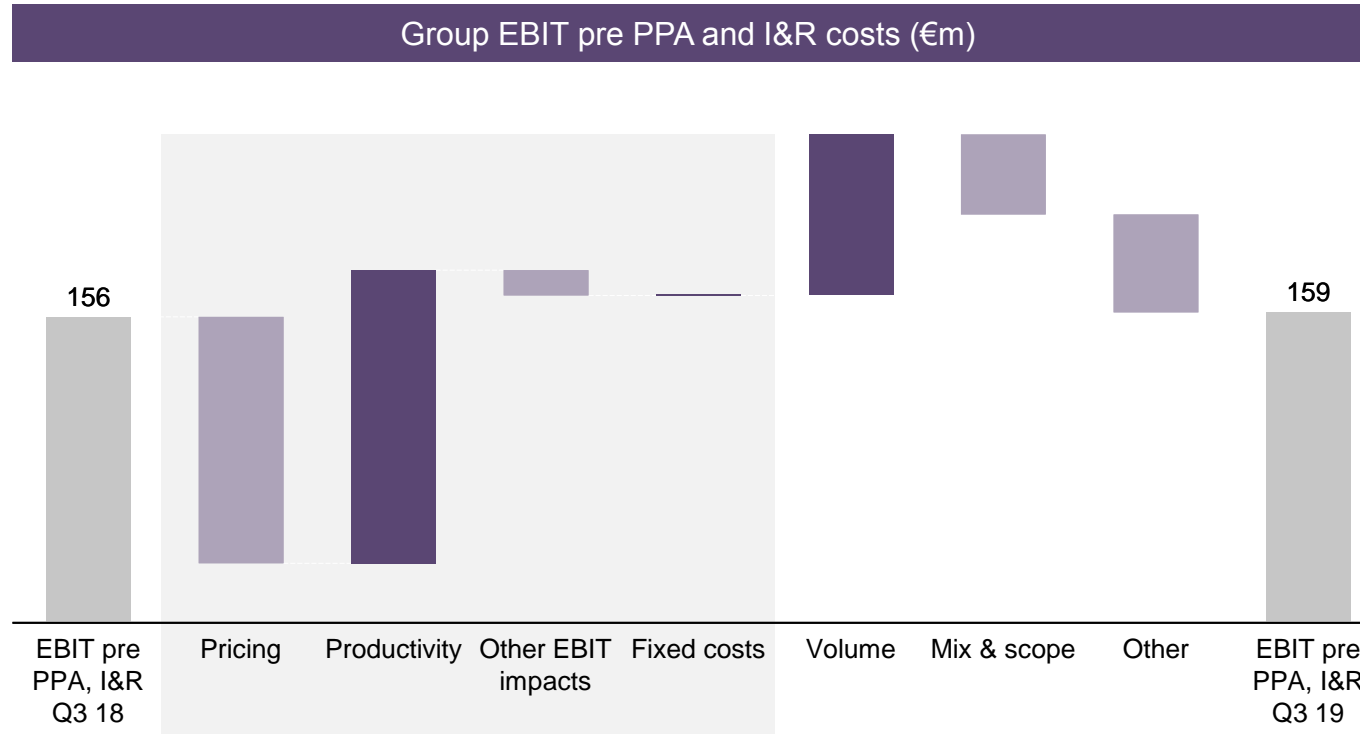
Service revenue (+26% YoY in Q3 19) positively impacted by **maintenance revenue growth and value added solutions**



Q3 19 WTG ON sales volume (MWe) flat YoY with strong growth in **EMEA** compensated by decline in **APAC** and **Americas**

Norway (23%), US (21%), Spain (17%), followed by India (9%) and Sweden (8%) are the main contributors to the Q3 19 sales volume

Lower pricing still has the largest impact on the Group EBIT evolution

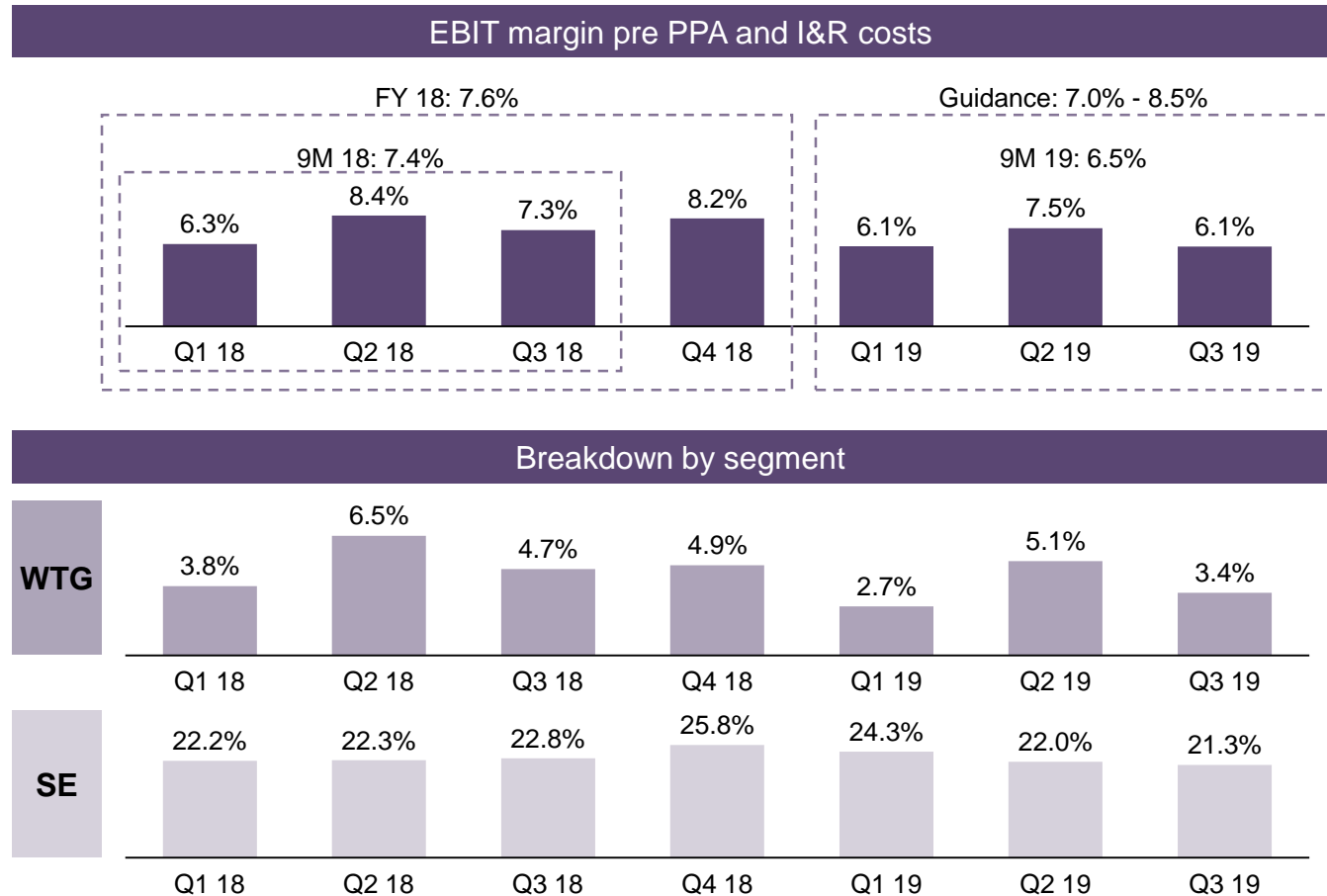


EBIT pre PPA and I&R mainly impacted by:

- (-) Pricing decline in Group order backlog
- (+) Productivity and synergies, that fully compensate pricing impact
- (+) Volume

Q3 19 EBIT pre PPA and I&R costs impacted by headwinds in WTG ON (Other)

Q3 19 WTG EBIT margin pre PPA and I&R costs impacted by additional costs



Q3 19 WTG EBIT margin pre PPA and I&R reflects:

- The continuous impact of **price declines** in Onshore, Offshore and Service, compensated by the transformation program
- **Onshore execution challenges** in Northern Europe and India leading to additional costs
- **Offshore** impacted negatively by **project mix**

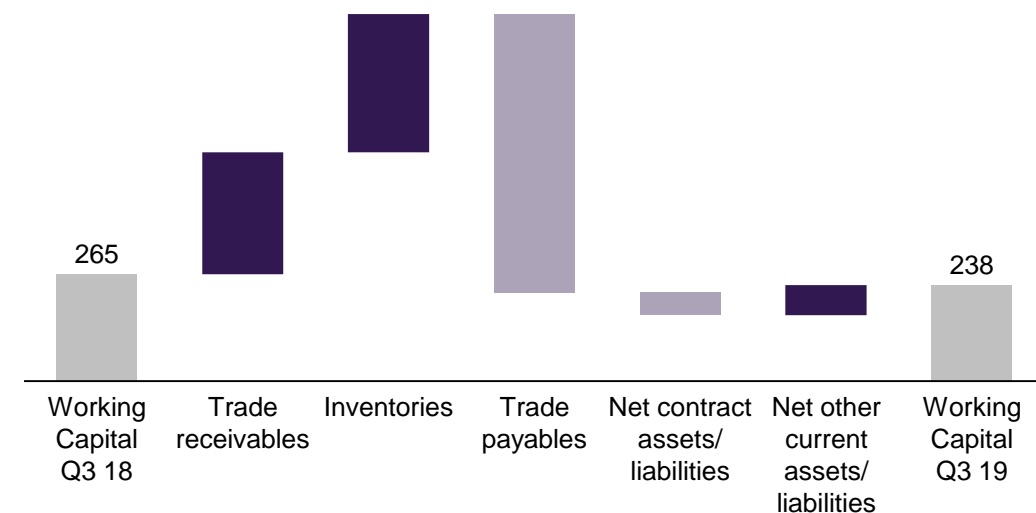
Working capital driven by back-end loaded project execution planning

Quarterly evolution of working capital (€m)

€m	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Trade receivables	1,158	1,139	1,135	1,171	1,460
Inventories	1,700	1,499	1,925	2,006	2,044
Net contract assets (liabilities)	-260	-101	-307	-220	-315
Net other assets (liabilities)	-292	-321	-224	-242	-217
Trade payables	-2,040	-2,758	-2,557	-2,505	-2,733
Working capital	265	-542	-27	211	238
As % of revenue	3.0%	-5.9%	-0.3%	2.2%	2.4%

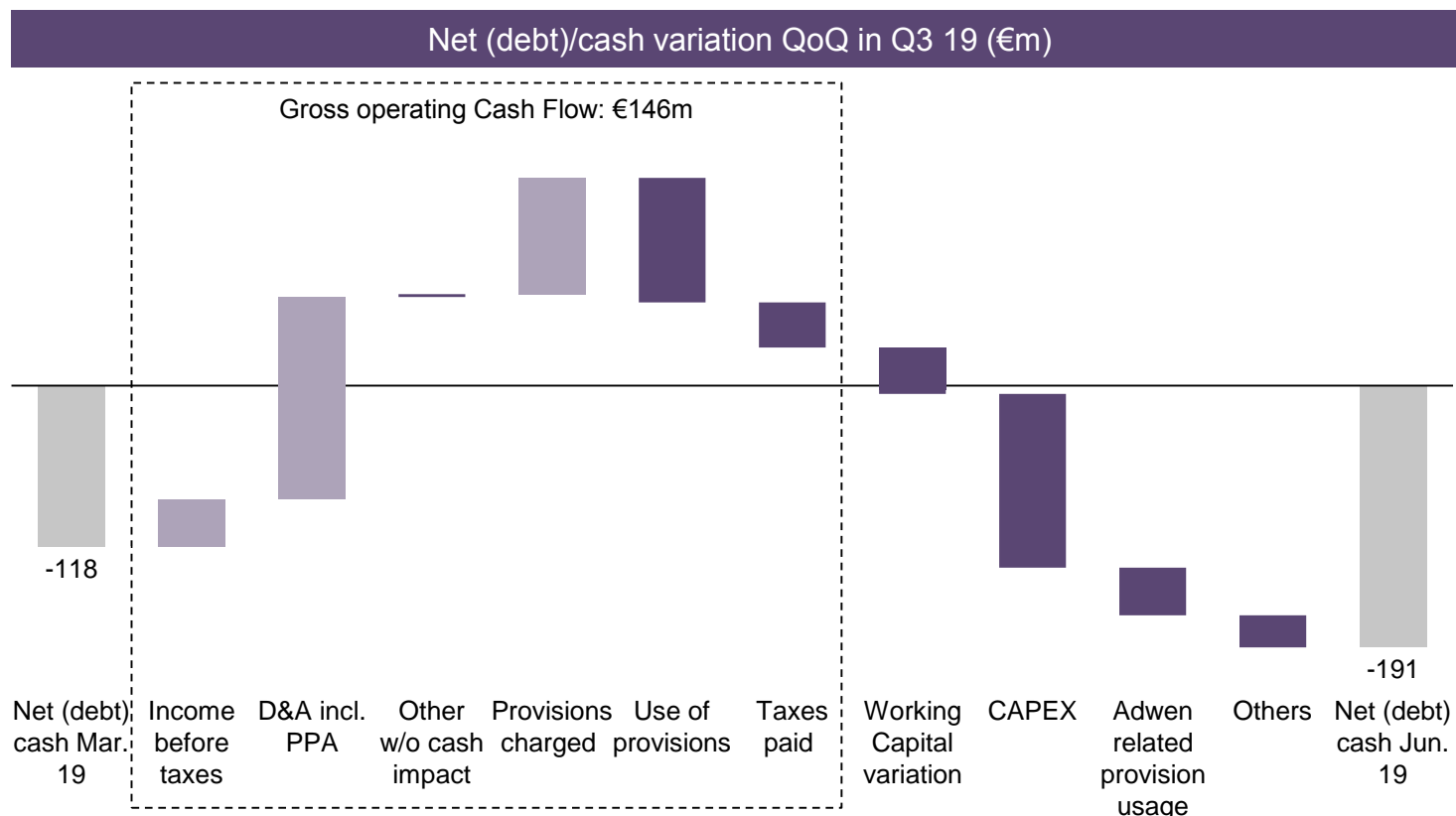
Working capital to revenue guidance: <2%

YoY evolution of working capital (€m)



- **Working capital:** -€27m YoY and +€780m since Sep. 18, **to address strong sales activity levels in FY 19.** Expected average revenue growth of 15% YoY, with back-end loaded execution planned for WTG ON
- **Continuous focus on working capital management** with impact on trade receivables and payables, leads to a working capital to sales reduction (-0.6 p.p. YoY) in an environment of higher expected annual activity

Increase in net debt position in Q3 19 driven by CAPEX



Quarterly increase in net debt position (€73m) **driven mostly by CAPEX**: €127m, spent in tooling, blade molds and R&D. Working capital increase limited (€34m)¹

Reduction of net cash YTD: €806m driven by increase in working capital (+€665m YTD)¹ to accommodate back-end loaded project planning with peak activity levels in Onshore in Q4

Adwen related provision usage: €35m in Q3 19 and €119m in 9M 19

1) Working capital cash flow effective change.

Outlook & conclusion



9M 19 performance in line with FY 19 guidance range; Q3 19 results impacted by emerging market volatility and Onshore execution challenges

Guidance FY 19	9M 19	FY 19 E ¹
Revenue (in €m)	7,283	10,000 - 11,000
EBIT margin pre PPA and I&R costs (in %)	6.5%	7.0% - 8.5%

FY 19 guidance range confirmed, with current expectations being in the first half of guidance for revenues and the low end of guidance for EBIT margin pre PPA and I&R costs

- **FY 19 revenue** coverage of 98%², or c. €10,300m impacted by market volatility in India
- **FY 19 EBIT margin pre PPA and I&R costs** impacted by: execution challenges in Onshore Northern Europe and India in Q3 19, the increase in import duties on Chinese components in the US and market volatility in emerging markets leading to lower sales activity. Short term impact from later factors likely to continue
- **Upside and downside risks** remain balanced; focus is on flawless execution
- **Transformation program** during the first 9M in line with annual expectations, including annual synergies of 1.2% of revenues by the end of FY 19

1) This outlook excludes charges related to legal and regulatory matters and it is given at constant FX rates.

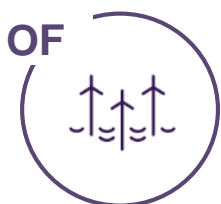
2) Revenue coverage: 9M 19 revenue plus order backlog (€) as of June 19 for FY 19 sales activity divided by the FY 19 revenue guidance range of €10bn to €11bn.



Long-term prospects remain solid. SGRE to specifically benefit



- (+) **Price stabilization confirmed, L3AD2020 optimization measures** accelerated, next generation **Onshore wind turbine SG 5.8 -155/170 development on track¹**, improving competitive positioning
- (+) **First signs of rationalization in the Onshore market while wind competitiveness and renewable commitments continue to increase**



- (+) **Double-digit installation growth:** CAGR of 16% p.a. between 2019 and 2025; market volumes to increase from 7 GW in 2019 to 16 GW in 2025
- (+) **Clear market leadership:** €7.2bn order backlog and more than 7 GW of pipeline



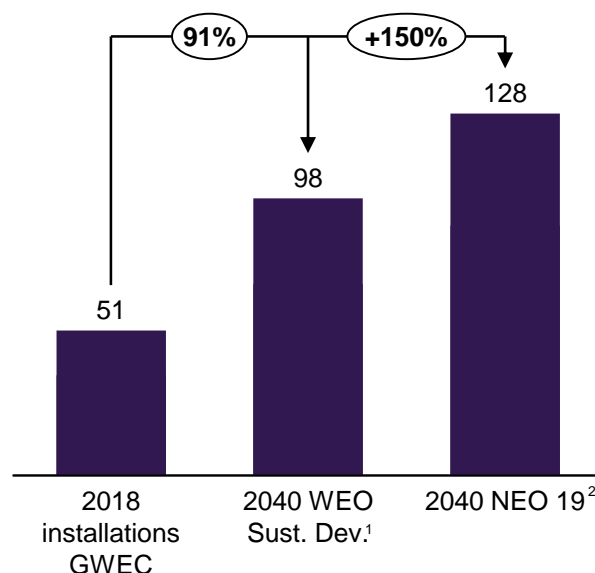
- (+) **Best product portfolio (SG10-193 DD) and execution track record** (24/1/99 program)
- (+) **Service market and SGRE service performance in line with BP 18-20**

Competitive business strategy and performance update in CMD planned for H1 2020

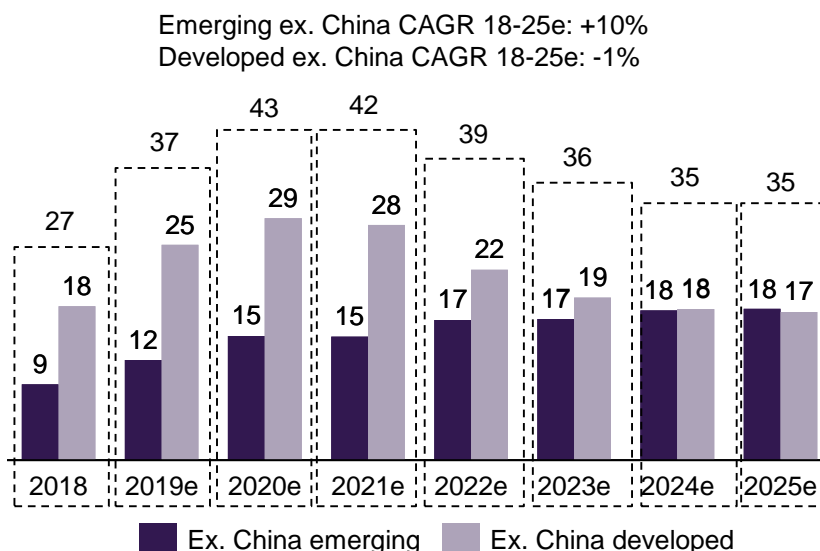
1) The first prototype installation of the SG 5.8-155 is planned for mid-2020. For the SG 5.8-170, the first prototype is planned for Q3 2020.

Strong potential of wind energy confirmed. SGRE placed to benefit from growth drivers

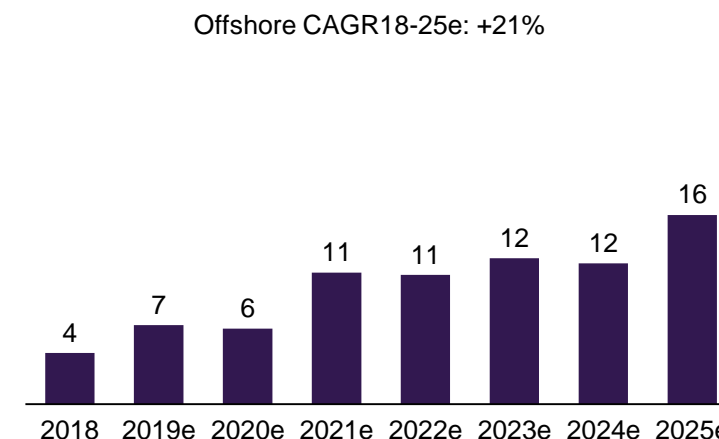
Average annual installations ON and OF 18-40e (GW)



Onshore ex. China (GW)³



Offshore (GW)³



Average annual wind installations need to double to reach a sustainable development

\$5.3 trillion of investment in Wind until 2050²

SGRE positioned to lead as Offshore and emerging Onshore markets continue to drive growth in wind installations

1) International Energy Agency.
2) Bloomberg New Energy Finance.
3) Wood Mackenzie Q2 2019 Global Wind Outlook.

Conclusions



Enhanced growth visibility with a record and well balanced order backlog of €25.1bn, +8.2% YoY, driven by sound order intake: €12.3bn in the LTM, +2.2% YoY



Short-term delivery impacted by headwinds with no impact on long-term prospects



Strong long-term market and company prospects unchanged



FY 19 guidance confirmed



CMD in H1 2020

Annex



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Q4 19 calendar



- July 30th-31st: CEO and CFO in London
- August 1st: CEO and CFO in Madrid
- September 5th: CFO in Porto (Caixabank conference)
- September 11th: CFO in London (BBVA conference)
- October 3rd: CFO in London (Macquarie conference)
- November 5th: FY 19 results presentation



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